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ECONOMIC FORECASTING CENTER

MONTHLY PROJECTIONS
July 1990

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ANOTHER OIL SHOCK!

Iraq's invasion of Kuwait has created the specter of yet another oil shock. By itself, the 1.5 million barrels daily produced by Kuwait would not have a substantial impact upon world supplies. However, some disruptions of supply from the Persian Gulf probably will occur. Also, the message sent by this invasion almost certainly will cause the United Arab Emirates to produce at or below their OPEC quota. When the dust settles, less oil will be produced from the Persian Gulf than in the absence of the invasion. This will raise oil prices. Such price increases, in turn, will have an initial impact upon raising inflation measures in the United States. However, the reduced purchasing power created by the oil price increase will reduce economic activity, leading to a reversal of the price increases in the absence of changes in macroeconomic policy.

All of this has been observed before. Previous oil shocks have led to rising inflationary measures followed by recessionary behavior. Moreover, the increase in oil prices led to reduced economic activity worldwide, which subsequently reduced inflation in the absence of accommodating macroeconomic policies.

What needs to be emphasized, however, is the likely magnitude of this oil shock. After the war induced disruptions, Kuwait will again provide oil in accordance with its OPEC quota. The U.A.E. also will produce to quota. The next result will be a drop of only a few hundred thousand barrels per day. Even with relatively low short-term price elasticities, prices in excess of the $21 per barrel in the Persian Gulf are not likely at this level of supply. This is the equivalent of $22.5 per barrel in the United States. Thus, the price increase is about $4.50 per barrel. About half those barrels come from abroad.

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Therefore, about $11 billion of purchasing power will be lost to the United States. Also, an additional $11 billion will flow from households and other corporations to oil producers in this country.

Gasoline prices should increase about 5 to 6 cents per gallon. The consumer price index initially should increase about 0.3-0.5% As the economy weakens, some of this price gain will be reversed in the absence of accommodating macroeconomic activity. Thus, the economy will probably slow its rate of growth by about 0.5%. Since our projections excluding an oil shock are for gains of only 1%, this will place the economy dangerously close to a recession.

However, even the possible economic downturn should be mild. No decline in economic activity for the year is expected. Moreover, the inflationary surge should be short-lived. By the end of next year, the weakened economy should be generating inflationary pressures of less than 4%.

Nevertheless, the initial surge in inflation probably will cause interest rates to rise. As the Federal Reserve is unlikely to allow short-term interest rates to rise, the long-term rates will increase about 0.3-0.5% from where they otherwise would be. The yield curve will steepen.

These oil shock problems are occurring when revised GNP data show the economy already is dangerously close to recession. During the second quarter, when economic activity increased 1.2%, activity would have fallen 2.2% except for inventory building, including the commodity inventories acquired by the government. Further inventory building can be expected during the third quarter, as auto producers maintain production during contract negotiations. However, reduced production during the fourth quarter to eliminate inventories could lead to economic decline.

Also, the three year data revisions sharply reduced the spending capacity of households. The savings rate was reduced from 5.6% to 4.9% for the first quarter, as wage earnings were chopped by nearly $94 billion. Although spending also was cut by $57 billion, the reductions were in services. This suggests that the demand for services is slowing under the weight of higher prices and reduced purchasing power. As a result, the consumer may not be able to sustain spending in the absence of significant gains in purchasing power.

Yet, the administration and the Congress appear to be pursuing programs to raise excise taxes. Thus, higher prices for alcohol, tobacco products and energy products should further restrict the purchasing power of households. Such a deficit reduction package could add its own modest supply side shock to the impact of the minor oil shock. Therefore, higher prices and lower economic activity may develop as early as the fourth quarter.

onthly Statistical Highlights

	JULY 1990	AUGUST 1990	SEPTEMBER 1990
ayroll Employment		+89,000	+130,000
ndex of Hours Worked		+0.1%	+0.1%
ousehold Employment		+60,000	+97,000
ivilian Unemployment Rate		5.4%	5.4%
ersonal Income	+0.4%	+0.4%	+0.4%
avings Rate	5.0%	4.7%	4.8%
ersonal Consumption	+0.3%	+0.7%	+0.3%
etail Sales	+0.4%	+0.9%	-0.1%
uto Sales	9.8*	10.4*	10.2*
ousing Starts	+1.8%	+1.3%	+0.2%
ousing Permits	-0.8%	+0.5%	+1.3%
onstruction Expenditures	-0.4%	+0.4%	-0.1%
usiness Inventories	+0.3%	+0.2%	+0.5%
rders for Durable Goods	+1.3%	+1.5%	+0.1%
rders - Nondefense Capital Goods	-1.0%	+1.2%	+0.7%
ndustrial Production	+0.2%	+0.2%	+0.1%
PI	+0.2%	+0.3%	+0.3%
PI	+0.1%	+0.3%	+0.3%
onsumption Deflator	+0.4%	+0.3%	+0.3%
eading Indicators	+0.2%	+0.1%	-0.1%
urrency Index	-2.3%	-2.0%	-1.6%
quity Index		+2.2%	+2.6%
eal GNP (annual rate)	+1.7%	+1.7%	+1.2%
1 (annual rate)	+1.9%	+4.1%	+5.8%
2 (annual rate)	+2.3%	+3.5%	+5.7%

* auto sales in millions

COMMENTARY

EMPLOYMENT-Although an 80,000 reduction in Census workers held down payroll employment for June, household employment also grew an anemic 39,000. The index of hours worked was up a modest 0.7% for the spring. The June dip in unemployment means little, as changes in the participation rates of school age people distorts this measure every June. A return to more normal labor force patterns should develop later in the summer, thereby raising unemployment rates again. Nevertheless, the 1.2% gain in real economic activity during the past four quarters should have created more unemployment than it did. Weakness in labor force growth has been responsible for containing the rise of unemployment. However, such moderation in labor force expansion should not persist during the next year.

Hourly earnings accelerated during the second quarter, although gains in steel and auto employment may be generating shifts that account for this performance. Further strength in hourly earnings is possible during the summer, as auto plants remain open. The employment cost index indicated that hourly earnings rose 4.5% from the previous year, the highest gain since early in this cycle.

PERSONAL INCOME AND OUTLAYS-Reduced farm subsidies slowed the growth of personal income during the second quarter. However, wage earnings increased slightly faster than earlier in the year. Despite an acceleration in tax liabilities, savings were able to expand because of sluggish spending. However, previous revisions in wage incomes shows that savings remain at a low 5% of disposable income. Further gains in savings rates would not be unusual in the current economic environment.

Outlays slowed sharply despite unusually strong gains in services because of a rebound in utility purchases following a mild winter. Auto sales fell, with dollar values following even more sharply than unit sales, as dealers provided substantial incentives to reduce their lots. Even with slowing price gains, nondurables continued to slide. Because of weakness both in durables and nondurables, retail sales fell sharply during the spring. A rebound in June should permit some gains in retail activity during the summer. Also, nondurables should rebound then. The summer surge in auto sales preceding the introduction of high priced models should temporarily raise retail activity, but durables other than autos should continue to sag.

CONSTRUCTION-Sales of single family homes spurted an unexpected 8% during June, but most of the strength was concentrated in the northeast. A modest rebound was expected because of more favorable weather. However, few builders reported increased sales activity. Nevertheless, building permits rose in June, although most of the gain was in multi-family permits. This suggests that the slump in housing activity may be coming to an end. Lower mortgage rates may be offsetting reduced expected incomes in generating further housing sales. Nevertheless, any rebound should be gradual.

The modest rebound in housing should not restore gains in residential construction until later this year. In fact, orders for construction goods are down 8% for the first half of the year. This would normally indicate a decline in construction activity until early next year. Because of the revisions in data, no estimates have been made for changes in construction during the first quarter (previous year data were not available on a monthly basis at the time of this report). However, some of the second quarter weakness clearly reflects

the shifting weather patterns. The dip following hurricane and earthquake repairs in the public construction sector should be over. More orderly gains in public construction now are expected. Nonresidential construction also should rebound with the aid of industrial structures. However, the gains during the next twelve months are not expected to be significant. Indeed, inflation adjusted construction should continue to decline into next year.

Shifting composition was responsible for the unusually low gain in the construction deflator during the spring. More normal spending composition should permit the deflator to grow slightly more than 3% during the next twelve months. While this is stronger than in the previous year, the rate of inflation still is not cause for concern in construction.

BUSINESS ACTIVITY-Despite attempts by the auto industry to build up inventory ahead of labor negotiations, manufacturing inventory actually declined during the second quarter. Some of this was the result of price declines for some manufactured goods, as reflected by the shift in the inventory evaluation adjustment. According to our estimates, the IVA actually turned positive in May and should remain positive until higher oil prices reverse inventory costs in August. Also, retail and wholesale inventories began to surge even if manufacturing warehouses remained lean. Some of these inventory gains may have been unwanted because of the weakness in sales. As a result, orders may weaken during the summer. However, the auto build-up should mask this weakness until the fall.

Because of possible unwanted inventories, orders for nondefense capital goods should continue to weaken. Moreover, the rebound in durable goods orders merely reflects the impact from higher shipments of transportation equipment and a rebound from unusually low military orders during the latest month. Shipments currently exceed orders, causing backlogs to decline. This normally occurs about six months prior to a decline in production. Thus, weakness in industrial production during the fall is consistent with this reduction of backlogs.

Strong gains in industrial production should persist through the summer as auto activity leads to the assembly of more than 8 million cars at annual rates. A sharp decline in auto activity then is expected in the fall. The decline in orders could lead to falling industrial production at that time, especially if higher oil prices begin to slow the expansion of activity in Europe and Asia. Because of the temporary nature of the production spurt this spring and summer, the gains in capacity utilization should have little impact upon new orders for capital equipment.

PRICES-Higher oil prices should not be apparent until the September inflation measures. Therefore, inflation should slow modestly during the summer. Stronger housing costs are reflected in an acceleration of the service deflator. Most of those higher housing costs reflect higher property taxes, and really do not reflect a stronger inflationary surge in the service economy. However, the spring discounting in auto prices already is giving way to higher summer prices. Further price gains are expected in the fall. No surge is expected in inflation measures, and the CPI should increase less during the next twelve months than in the past. Nevertheless, any easing of inflationary measures should be temporary.

The GNP deflator should increase more slowly during the summer, as a sharp dip in import prices distorted the deflator to a higher value in the spring. This

occurs because import prices detract from GNP. At the same time, the investment and inventory pricing of commodities is based upon domestic prices. Therefore, imported goods in inventory that arrive at a reduced price actually raise the deflator until those goods are appropriately reflected at the finished goods level. Therefore, the deflator should grow more slowly in the summer before rebounding slightly in the fall (rising oil prices will initially restrain the growth of the deflator) and in the winter. Thus, the summer surge in energy prices will not be fully reflected in the GNP deflator until the winter.

MISCELLANEOUS-Auto production is primarily responsible for the rebound in GNP during the summer. Although modest positive gains currently are projected for the fall, more modest gains in consumer incomes and a slightly larger inflation rate than currently projected could convert those gains into a decline. Then, investment spending would weaken more sharply in the winter, possibly generating a recession that would start this fall and last through the middle of next year.

The leading indicators do not show the risk of weakness. Rising sensitive prices and some increase in delivery delays account for some of this strong gain. However, consumer confidence has eroded, housing permits remain weak (though they rebounded last month), the money stock is declining after adjustment for price changes, and orders are beginning to weaken.

Although trade deficits deteriorated last month, American manufacturers remain competitive and exports continue to grow. Unfortunately, higher oil prices will prevent the deficit from declining significantly during the next few months. Nevertheless, modest gains in the trade deficit are expected into next year.

Because of the decline in inventory prices, tax distortions of corporate profits lessened during the spring. Weak economic activity prevented profits from rising, but the decline in profits was much less than would normally be expected by this sluggish economy. Falling interest rates and continued moderation in wage gains should continue to limit the downside plunge in profits. If this holds, equity values may actually rise slightly during a time of economic turmoil. However, the rising fear of recession and the oil shock could prematurely end the summer rally. I would be taking profits at this time to avoid some of the uncertainties that currently prevail.

Rising oil prices could help the dollar temporarily as oil is paid in dollars. However, recessionary fears and rising interest rates abroad should do more to harm the dollar's value during the summer than the petroleum demand for dollars should help it. The dollar may then rally modestly during the fall, after the mark reaches 1.55 to the dollar and the yen rises to 140 to the dollar.

FINANCIAL MARKETS

The dollar's plunge against other currencies has adversely affected capital flows into the United States. Once the dollar reaches a lower level as stated above, some foreign capital may gradually flow back into this country. However, interest rate pressures could be intense in the absence of reduced investment or increased savings domestically.

Unfortunately, the government's attempt to reduce the deficit is being overtaken by events. While a substantial deficit reduction package still is possible, signs of weakening economic activity reduces the urgency of raising taxes to solve the deficit problem. Certainly, government borrowings will fall from the $168 billion during the winter, by next winter. But the decline will be gradual. Further borrowings to reduce the thrift problem could actually generate borrowings in excess of $200 billion early in 1991. Thus, the government will be increasing its need for funds until the middle of 1991.

Household savings should fall in the summer and rebound in the fall. Housing activity should gradually improve. This means that net savings provided by the household sector to the credit markets will decline in the summer, plateau in the fall and gradually improve thereafter. At best, this will merely offset the increased borrowings from the government.

Corporate borrowings have eased slightly in the summer because of reduced commodity prices. By the fall, however, higher inventory borrowings should more than offset moderation in capital spending. Also, cash flow should deteriorate, following a modest gain during the summer. Thus, the corporate sector reduced its demand for funds in the summer but should be increasing them slightly in the fall, before falling capital and inventory investment outstrip weakening cash flow positions in the winter.

Together, this analysis suggests that interest rates can fall modestly during the summer and may plateau in the fall and winter before falling again next spring. However, any interest rate declines should not be substantial.

EQUITY MARKETS-Is the summer rally over? Fears of another oil shock suggest that it is. Also, the dollar's weakness indicates that foreign investors will be reluctant to invest in our assets. However, our formula suggests that further gains are possible. Even if a further rebound in equity values develops in August and September, profit taking clearly is recommended. Equity values should not continue to rise beyond that period. Once the oil situation is clarified, purchases of bonds may outperform stock purchases. Fears of real estate problems should continue to restrict the performance of bank stocks into next year. European related companies still look promising, but slow profit growth suggests that more negative than positive earnings surprises are likely. Therefore, the growth oriented stocks probably should be sold to raise cash. Only the oil service companies and companies related to the oil patch look interesting at this time. Even there, the rebound in oil prices should not be sufficient to substantially raise opportunities. High grade bonds and money market investments probably hold the greatest promise until the recession fears have been quantified.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate	Hourly Earnings	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	Proj	AR%
January 1990	109931		129.5		117863		5.3	9.83	
February	110304	3.1	130.2	3.0	118035	1.0	5.3	9.88	2.5
March	110427		130.3		118334		5.2	9.92	
April	110401		130.0		118116		5.4	9.95	
May	110757	1.6	130.2	0.7	118350	0.7	5.3	9.98	4.3
June	110797		130.5		118389		5.2	10.01	
July	110883 *		130.6 *		118438 *		5.4 *	10.04 *	
August	110972	1.2	130.7	1.4	118498	0.8	5.4	10.07	3.7
September	111102		130.8		118595		5.4	10.10	
October	111196		130.9		118671		5.5	10.14	
November	111284	1.1	130.9	0.7	118727	0.8	5.5	10.17	4.0
December	111418		131.0		118823		5.5	10.20	
January 1991	111553		131.2		118947		5.4	10.24	
February	111673	1.4	131.3	1.2	119027	1.0	5.4	10.27	4.1
March	111809		131.5		119147		5.4	10.31	
April	111937		131.6		119261		5.4	10.35	
May	112052	1.3	131.7	1.0	119354	1.1	5.4	10.38	4.4
June	112167		131.7		119482		5.4	10.42	
Chng June(91)/June(90)		1.2		0.9		0.9			4.1
Chng June(90)/June(89)		2.0		1.9		0.7			4.1

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
January 1990	4.532		2.633		173.9		3.861		3.687	
February	4.562	8.7	2.652	6.1	191.1	45.8	3.886	9.6	3.695	8.1
March	4.595		2.669		209.0		3.916		3.707	
April	4.608		2.682		199.7		3.916		3.716	
May	4.623	5.4	2.692	6.4	210.2	22.2	3.928	4.4	3.717	3.5
June	4.640		2.705		193.6		3.946		3.752	
July	4.659 *		2.715 *		197.4 *		3.962 *		3.765 *	
August	4.679	4.9	2.725	4.9	186.7	-16.1	3.977	4.9	3.790	6.3
September	4.700		2.736		193.5		3.994		3.801	
October	4.726		2.751		201.6		4.016		3.814	
November	4.747	6.0	2.760	5.3	195.8	10.1	4.032	5.7	3.836	5.4
December	4.770		2.772		194.2		4.051		3.857	
January 1991	4.795		2.788		203.7		4.077		3.873	
February	4.818	6.2	2.800	6.0	206.7	21.4	4.097	6.6	3.890	5.9
March	4.845		2.816		210.6		4.120		3.909	
April	4.870		2.831		212.4		4.140		3.928	
May	4.890	6.1	2.842	6.0	211.1	7.1	4.156	5.8	3.945	5.8
June	4.912		2.855		208.3		4.173		3.965	
Chng June(91)/June(90)		5.9		5.5		7.6		5.8		5.7
Chng June(90)/June(89)		6.1		5.4		7.4		6.1		6.0

PROJ includes current information until the * and then projections by month thereafter
AR% is the annualized percentage change from the previous quarter.

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
January 1990	3579.1		506.6		1163.3		1909.2		2681.9	
February	3586.6	8.1	487.3	18.9	1182.2	9.3	1917.1	4.9	2677.3	2.4
March	3598.5		482.4		1178.6		1937.5		2672.8	
April	3607.2		480.6		1174.3		1952.3		2675.1	
May	3608.5	3.6	474.4	-9.8	1166.0	-1.1	1968.1	10.2	2667.8	-0.3
June	3642.9		483.9		1174.2		1984.8		2682.5	
July	3655.1 *		483.3 *		1177.2 *		1994.6 *		2681.5 *	
August	3680.4	6.3	492.6	7.7	1180.2	2.8	2007.6	8.1	2693.0	2.1
September	3690.4		490.0		1181.9		2018.5		2691.8	
October	3704.0		487.2		1185.5		2031.3		2691.0	
November	3725.4	5.5	490.3	1.3	1190.7	3.7	2044.3	7.7	2697.7	1.4
December	3745.6		493.0		1195.5		2057.2		2704.8	
January 1991	3761.8		493.2		1198.8		2069.8		2707.3	
February	3778.4	5.9	492.6	2.7	1203.7	4.3	2082.1	7.7	2709.9	1.9
March	3797.1		494.5		1207.4		2095.2		2713.7	
April	3815.0		496.4		1210.0		2108.6		2717.5	
May	3831.8	5.8	498.5	4.3	1212.9	3.3	2120.4	7.6	2721.1	1.6
June	3850.8		501.1		1216.1		2133.6		2725.1	
Chng June(91)/June(90)		5.7		3.6		3.6		7.5		1.6
Chng June(90)/June(89)		6.0		2.4		3.9		8.3		2.1

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
January 1990	149.87		22.94		10.2		93.66		33.27	
February	149.91	11.4	23.63	16.0	9.5	54.3	94.87	8.9	31.41	15.0
March	149.30		23.18		9.5		94.64		31.48	
April	147.89		22.78		9.5		94.27		30.84	
May	147.04	-5.5	22.66	-9.7	9.3	-10.5	93.60	-1.2	30.78	-14.6
June	147.82		22.56		9.6		94.45		30.81	
July	148.46 *		22.51 *		9.8 *		94.69 *		31.26 *	
August	149.73	4.6	22.55	-2.7	10.4	31.3	94.93	3.4	32.25	14.2
September	149.58		22.48		10.2		95.07		32.03	
October	149.56		22.53		9.3		95.36		31.67	
November	150.33	2.8	22.59	1.7	9.5	-23.8	95.78	3.7	31.96	0.9
December	151.00		22.71		9.6		96.16		32.13	
January 1991	151.30		22.56		9.7		96.43		32.31	
February	151.62	3.7	22.61	-0.1	9.6	8.7	96.82	4.3	32.19	4.7
March	152.13		22.64		9.7		97.12		32.37	
April	152.55		22.69		9.8		97.33		32.53	
May	153.02	3.6	22.75	2.6	9.9	10.0	97.56	3.3	32.71	5.6
June	153.57		22.80		10.0		97.82		32.95	
Chng June(91)/June(90)		3.9		1.1		4.2		3.6		6.9
Chng June(90)/June(89)		2.4		0.5		-2.0		4.2		-1.7

PROJ includes current information until the * and then projections by month thereafter
AR% is the annualized percentage change from the previous quarter.

CONSTRUCTION

	Housing Starts		Single Family Starts		Multi-Family Starts		Housing Permits	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
January 1990	1.568		1.099		0.469		1.739	
February	1.488	35.6	1.154	44.4	0.334	13.6	1.297	12.7
March	1.307		0.996		0.311		1.232	
April	1.216		0.898		0.318		1.108	
May	1.205	-53.8	0.893	-53.5	0.312	-54.5	1.065	-65.1
June	1.177		0.892		0.285		1.107	
July	1.198 *		0.895 *		0.303 *		1.096 *	
August	1.213	3.3	0.906	2.9	0.307	4.4	1.102	4.2
September	1.216		0.901		0.315		1.116	
October	1.225		0.913		0.312		1.125	
November	1.230	5.6	0.915	5.7	0.315	5.3	1.121	8.0
December	1.222		0.912		0.310		1.132	
January 1991	1.229		0.916		0.313		1.138	
February	1.243	4.0	0.925	3.3	0.318	6.1	1.144	4.3
March	1.241		0.921		0.320		1.132	
April	1.243		0.926		0.317		1.139	
May	1.257	6.2	0.935	6.2	0.322	6.0	1.148	3.0
June	1.269		0.943		0.326		1.152	
Chng June(91)/June(90)		7.8		5.7		14.4		4.1
Chng June(90)/June(89)		-16.8		-8.1		-35.7		-16.3

	Non-Residential		Public Construction		Residential Construction		Construction Expenditures		Real Construction Expenditures	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
January 1990	138.0		107.9		200.1		446.0		408.3	
February	140.1		112.5		203.0		455.6		415.9	
March	140.5		109.9		206.9		457.3		416.5	
April	138.6		104.5		204.1		447.2		407.7	
May	136.9	-5.2	109.1	-8.3	199.7	-4.6	445.6	-5.7	405.4	-7.2
June	137.5 *		109.6 *		199.1 *		446.2 *		404.5 *	
July	137.3		109.3		197.8		444.4		401.8	
August	138.2	1.1	110.2	9.5	197.9	-6.9	446.3	-0.6	402.4	-3.9
September	138.6		111.1		196.5		446.2		401.3	
October	138.3		110.5		196.8		445.6		399.6	
November	138.9	2.4	111.4	3.8	198.3	1.2	448.6	2.2	401.3	-1.1
December	139.4		111.8		198.8		450.0		401.4	
January 1991	139.0		112.3		199.5		450.8		401.1	
February	139.4	0.5	112.0	3.4	200.5	4.2	451.9	2.9	401.0	-0.4
March	138.7		112.2		200.1		451.0		399.1	
April	139.3		112.4		200.9		452.6		399.5	
May	139.6	1.8	112.7	1.8	201.5	2.7	453.8	2.2	399.5	-1.0
June	140.1		112.9		201.7		454.7		399.2	
Chng June(91)/June(90)		1.9		3.0		1.3		1.9		-1.3
Chng June(90)/June(89)										

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BUSINESS ACTIVITY

	Manufacturers Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
January 1990	374.1		117.91		38.35		35.19	
February	373.2	1.2	120.78	-17.7	36.09	-12.5	36.83	20.5
March	371.7		128.87		40.89		36.15	
April	372.3		123.61		36.57		35.30	
May	372.4	-0.7	128.83	10.8	36.06	-20.8	35.40	-3.3
June	372.4 *		124.69		36.16		36.58	
July	373.1		126.27 *		35.81 *		36.68 *	
August	374.6	2.4	128.14	6.0	36.24	-0.8	36.43	8.9
September	376.1		128.23		36.51		36.49	
October	377.0		126.69		35.82		36.41	
November	377.9	3.8	128.42	2.2	36.48	2.5	36.73	1.6
December	379.3		129.66		36.93		36.89	
January 1991	380.8		129.21		37.15		37.03	
February	382.1	4.5	129.84	3.3	37.45	9.3	37.11	4.2
March	383.8		128.85		37.08		37.02	
April	384.9		129.26		37.81		37.46	
May	386.4	4.5	127.43	-2.4	36.51	-2.4	37.28	2.9
June	388.1		128.82		36.69		37.21	
Chng June(91)/June(90)		4.2		3.2		1.5		1.7
Chng June(90)/June(89)		1.6		0.4		-5.9		5.6

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
January 1990	797.2		8.49		107.5		82.7	
February	794.0	-0.5	8.16	-19.7	108.5	0.9	83.2	-1.7
March	793.7		8.82		108.9		83.4	
April	796.1		8.92		108.7		83.0	
May	799.4	1.9	9.18	29.3	109.3	3.6	83.3	0.8
June	800.6 *		9.06		109.8		83.5	
July	802.9		8.85 *		110.0 *		83.5 *	
August	804.8	3.5	8.93	-3.5	110.2	3.3	83.5	1.0
September	809.2		9.14		110.3		83.4	
October	811.2		8.57		110.2		83.1	
November	813.4	3.8	8.66	-8.2	110.1	0.1	82.8	-2.7
December	814.9		9.12		110.3		82.8	
January 1991	817.2		8.71		110.5		82.8	
February	820.5	3.6	8.59	-5.2	110.7	1.6	82.8	-0.8
March	823.6		8.70		110.7		82.6	
April	825.9		8.62		110.6		82.3	
May	828.6	4.2	8.59	-0.9	110.7	0.2	82.2	-2.6
June	832.3		8.73		110.8		82.1	
Chng June(91)/June(90)		4.0		-3.6		0.9		-1.7
Chng June(90)/June(89)		2.3		1.2		1.2		-1.3

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PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
January 1990	127.7		117.6		114.2		129.1	
February	128.4	8.5	117.3	8.2	113.6	5.1	129.5	4.8
March	129.0		117.0		113.2		130.1	
April	129.3		116.6		113.1		130.5	
May	129.6	4.2	117.0	-1.2	113.7	-0.2	130.9	4.4
June	130.2		117.2		114.0		131.5	
July	130.5 *		117.3 *		114.3 *		131.7	
August	130.9	3.8	117.6	2.3	114.6	2.1	132.1	3.6
September	131.3		117.9		113.7		132.5	
October	131.8		118.2		114.7		133.0	
November	132.3	4.2	118.5	3.1	115.0	3.0	133.5	4.1
December	132.7		118.8		115.4		133.8	
January 1991	133.2		119.2		115.7		134.3	
February	133.7	4.4	119.5	3.4	116.0	3.4	134.7	4.0
March	134.2		119.8		116.3		135.2	
April	134.6		120.1		116.6		135.7	
May	135.1	4.2	120.3	2.8	116.9	3.1	136.1	4.1
June	135.5		120.6		117.2		136.6	
Chng June(91)/June(90)		4.1		2.9		2.8		3.9
Chng June(90)/June(89)		4.8		2.7		1.4		4.2

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
January 1990	133.5		112.5		127.4		144.8		109.2	
February	134.0	7.1	112.4	3.9	128.4	12.9	144.9	4.8	109.5	3.2
March	134.6		112.4		129.1		145.6		109.8	
April	134.8		112.2		129.1		146.0		109.7	
May	135.3	3.9	112.2	-1.1	129.2	3.5	146.6	4.4	109.9	1.7
June	135.8		112.0		129.9		147.4		110.3 *	
July	136.3 *		112.3 *		130.3 *		148.0 *		110.6	
August	136.7	4.2	112.6	1.7	130.6	3.9	148.5	5.0	110.9	3.4
September	137.1		112.9		131.0		148.9		111.2	
October	137.6		113.3		131.4		149.5		111.5	
November	138.1	4.1	113.6	3.5	131.7	3.3	150.1	4.4	111.8	3.3
December	138.5		113.8		132.0		150.6		112.1	
January 1991	139.0		114.1		132.3		151.2		112.4	
February	139.4	4.0	114.4	3.0	132.6	2.9	151.8	4.7	112.7	3.3
March	139.9		114.7		133.0		152.4		113.0	
April	140.4		115.0		133.3		153.0		113.3	
May	140.8	4.1	115.2	2.9	133.6	3.1	153.6	4.8	113.6	3.2
June	141.3		115.5		134.0		154.2		113.9	
Chng June(91)/June(90)		4.1		3.1		3.2		4.6		3.3
Chng June(91)/June(90)		4.6		1.2		5.2		4.9		1.9

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MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1982 $)		IVA (annual rate)
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj
January 1990	-10.20		145.3		5349		4145		-14.6
February	-7.10	20.0	143.8	0.3	5376	6.7	4151	1.7	-12.2
March	-8.37		145.2		5402		4153		-10.1
April	-7.31		145.1		5426		4157		-3.6
May	-7.73	37.3	146.2	2.8	5451	5.8	4164	1.2	4.3
June	-7.80 *		146.0 *		5476		4166		4.1
July	-8.05		146.3		5496		4172		1.1
August	-7.92	-28.8	146.5	1.7	5519	5.1	4178	1.4	-2.8
September	-8.36		146.3		5542		4182		-5.3
October	-7.57		146.1		5556		4176		-8.8
November	-7.83	21.0	146.3	-0.5	5584	4.7	4184	0.6	-11.3
December	-7.54		146.2		5608		4190		-10.2
January 1991	-7.63		146.2		5631		4193		-7.3
February	-7.42	12.1	146.5	0.2	5659	5.3	4200	1.3	-11.6
March	-7.16		146.1		5677		4198		-12.9
April	-6.74		146.2		5695		4198		-10.6
May	-6.82	28.3	146.5	0.4	5715	4.5	4200	0.4	-7.7
June	-6.88		146.5		5744		4206		-8.4
Chng June(91)/June(90)		11.8		0.3		4.9		1.0	
Chng June(90)/June(89)		1.9		1.4		5.4		1.2	

	Currency Index		Adjusted Profits		30 - Year Government Bonds		New York Composite	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
January 1990	93.00		163.4		8.26		187.96	
February	92.25	-16.0	168.9	-1.2	8.50	28.1	182.55	-13.0
March	94.11		168.7		8.56		186.26	
April	93.51		165.0		8.76		185.61	
May	92.04	-2.0	166.2	-3.5	8.83	12.0	191.08	11.0
June	92.43		165.3		8.46		194.83	
July	90.26 *		167.3		8.53 *		195.57 *	
August	88.42	-16.6	168.6	7.1	8.41	-12.8	199.90	21.9
September	86.97		169.2		8.23		205.00	
October	88.27		162.7		8.22		197.36	
November	88.92	3.2	165.9	-6.0	8.12	-10.2	203.72	4.7
December	90.53		168.8		8.16		206.27	
January 1991	88.91		169.4		8.27		204.25	
February	89.26	1.2	169.9	3.7	8.29	4.8	204.36	-1.1
March	90.38		162.6		8.23		197.00	
April	91.23		159.7		8.16		195.15	
May	90.40	3.4	160.9	-14.3	8.05	-6.9	199.30	-7.9
June	89.16		162.3		8.14		198.81	
Chng June(91)/June(90)		-3.5		-1.8		-3.8		2.0
Chng June(90)/June(89)		-10.3		-8.4		2.3		8.2

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FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
January 1990	298.2		794.8		3229.3		8.23		7.55	
February	300.1	8.7	801.4	4.9	3252.4	6.2	8.24	-15.8	7.70	10.5
March	303.3		804.8		3266.2		8.28		7.85	
April	304.8		807.4		3271.9		8.26		7.84	
May	305.7	7.7	805.5	3.6	3264.6	2.4	8.18	-0.3	7.76	2.3
June	308.0		809.6		3269.9		8.29		7.63	
July	308.0 *		810.9 *		3276.0 *		8.13 *		7.43 *	
August	309.3	4.1	813.6	3.2	3285.3	2.3	7.88	-14.8	7.22	-23.4
September	310.5		817.4		3300.4		7.75		7.08	
October	311.8		820.2		3316.4		7.58		6.97	
November	313.4	5.5	823.6	4.9	3331.7	5.4	7.49	-18.1	6.95	-13.9
December	315.0		827.5		3344.3		7.53		7.01	
January 1991	316.7		831.4		3357.8		7.56		7.07	
February	318.5	6.6	834.7	5.9	3373.5	5.4	7.54	-2.1	7.10	1.5
March	320.1		840.6		3392.6		7.38		6.84	
April	321.8		843.5		3406.1		7.25		6.73	
May	323.3	6.2	846.7	5.7	3420.7	5.6	7.25	-11.7	6.72	-14.0
June	324.6		851.3		3435.3		7.29		6.78	
Chng June(91)/June(90)		5.4		5.2		5.1		-12.1		-11.1
Chng June(90)/June(89)		6.3		4.6		5.4		-13.0		-3.8

	AAA (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Papers		90 Day CD's		Prime Rate	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
January 1990	8.99		7.10		8.20		8.10		10.11	
February	9.22	14.4	7.22	5.2	8.14	-8.5	8.22	-9.7	10.00	-16.5
March	9.37		7.29		8.28		8.35		10.00	
April	9.46		7.44		8.30		8.42		10.00	
May	9.47	9.1	7.35	8.0	8.25	1.1	8.35	5.5	10.00	-1.5
June	9.26		7.24		8.14		8.23		10.00	
July	9.28 *		7.28 *		8.12 *		8.19 *		10.00 *	
August	9.16	-9.4	7.15	-9.1	7.82	-16.7	7.90	-17.0	9.73	-9.9
September	9.06		7.08		7.65		7.77		9.50	
October	9.09		7.11		7.53		7.66		9.50	
November	8.96	-6.1	6.99	-7.2	7.47	-16.9	7.58	-15.6	9.50	-9.6
December	9.02		7.01		7.52		7.63		9.50	
January 1991	9.12		7.09		7.56		7.65		9.50	
February	9.15	4.0	7.13	3.3	7.59	2.0	7.70	1.4	9.50	0.0
March	9.07		7.06		7.48		7.60		9.50	
April	9.01		6.98		7.26		7.35		9.22	
May	8.94	-5.3	6.91	-7.7	7.29	-13.1	7.43	-12.6	9.00	-16.8
June	9.02		6.97		7.30		7.41		9.00	
Chng June(91)/June(90)		-2.6		-3.7		-10.3		-10.0		-10.0
Chng June(90)/June(89)		1.8		3.1		-10.6		-10.5		-9.7

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